

**EXECUTIVE AGENCY  
FISCAL NOTE**

AGENCY'S ESTIMATES

Date Prepared: February 27, 2017

Agency Submitting: Department of Employment, Training and Rehabilitation

Items of Revenue or Expense, or Both	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Effect on Future Biennia
UI Trust Fund (Revenue)		\$4,200,000	\$11,400,000	\$101,500,000
Set Aside Funds (Revenue)			(\$56,718)	(\$1,172,183)
UI Contributions (Revenue)		\$5,700,000	\$17,400,000	\$157,300,000
Client Wages (Expense)			\$80,375	\$1,205,625
UI Benefits (Expense)		\$2,200,000	\$8,100,000	\$104,300,000
Total	0	\$7,700,000	\$20,562,907	\$152,122,192

Explanation

(Use Additional Sheets of Attachments, if required)

The Department calculates several impacts. The Bureau of Vocational Rehabilitation and Bureau of Services to the Blind and Visually Impaired provide community based assessment/work experience programs wherein the Bureaus pay minimum wage salaries for clients while they are working in the program. Furthermore, this initiative would impact Unemployment Insurance (UI) Benefits and Contributions. The changes in wages are calculated and applied to the existing UI forecasting model to determine the future impact on UI Benefits Payments, UI Contributions. Finally, a reduction to the set aside in the Blind Business Enterprise of Nevada (BEN) program is anticipated due to payroll increases at sites that employ individuals at minimum wage. Set aside is a percentage of the profits. The Department then factored the percentage that each specific BEN operator pays, to arrive at the amount of set aside that would not be paid due to increased payroll costs.

In addition to calculated impacts, there are other impacts that cannot be determined at this time for the Rehabilitation Division. The cost of operating a business will increase, so we would fully expect that we would lose some service providers, and that we would have to renegotiate fee schedules for our existing service providers at an increased rate to make up for the increased cost of doing business. The impact for an increase in client service expenditures for receiving the same services cannot be determined at this time; however the impact would be fairly substantial as around \$7 million is expended towards client services each year.

Name Heather Bugg

Title Management Analyst III

**GOVERNOR'S OFFICE OF FINANCE COMMENTS**

The agency's response appears reasonable.

Date Monday, February 27, 2017

Name Susan Brown

Title Executive Budget Officer

**DESCRIPTION OF FISCAL EFFECT**

BDR/Bill/Amendment Number: BDR 53-866 AB175

Name of Agency: Department of Employment, Training, and Rehabilitation

Division/Department: Rehabilitation

Date: 2/15/2017

Category Type	Description	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23	Effect on Future Biennia (Fiscal Year 2019-23)
Revenue	UI Trust Fund	\$ -	\$ -	\$ 4,200,000.00	\$ 11,400,000.00	\$ 16,900,000.00	\$ 22,400,000.00	\$ 24,300,000.00	\$ 26,500,000.00	\$ 101,500,000.00
Revenue	Reduction to Set Aside Funds	\$ -	\$ -	\$ -	\$ (56,718.00)	\$ (151,250.00)	\$ (245,780.00)	\$ (340,311.00)	\$ (378,124.00)	\$ (1,172,183.00)
Revenue	UI Contributions	\$ -	\$ -	\$ 5,700,000.00	\$ 17,400,000.00	\$ 25,500,000.00	\$ 34,500,000.00	\$ 38,300,000.00	\$ 41,600,000.00	\$ 157,300,000.00
Expense	Client Wages	\$ -	\$ -	\$ -	\$ 80,375.00	\$ 160,750.00	\$ 241,125.00	\$ 321,500.00	\$ 401,875.00	\$ 1,205,625.00
Expense	UI Benefit	\$ -	\$ -	\$ 2,200,000.00	\$ 8,100,000.00	\$ 13,600,000.00	\$ 21,000,000.00	\$ 28,000,000.00	\$ 33,600,000.00	\$ 104,300,000.00
<b>Totals</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,700,000.00</b>	<b>\$ 20,562,907.00</b>	<b>\$ 28,488,000.00</b>	<b>\$ 35,413,095.00</b>	<b>\$ 33,938,189.00</b>	<b>\$ 33,720,001.00</b>	<b>\$ 152,122,192.00</b>

**Organizational Input**

The Department calculates several impacts. The Bureau of Vocational Rehabilitation and Bureau of Services to the Blind and Visually Impaired provide community based assessment/work experience programs wherein the Bureaus pay minimum wage salaries for clients while they are working in the program. Furthermore, this initiative would impact Unemployment Insurance (UI) Benefits and Contributions. The changes in wages are calculated and applied to the existing UI forecasting model to determine the future impact on UI Benefits Payments, UI Contributions. Finally, a reduction to the set aside in the Blind Business Enterprise of Nevada (BEN) program is anticipated due to payroll increases at sites that employ individuals at minimum wage. Set aside is a percentage of the profits. The Department then factored the percentage that each specific BEN operator pays, to arrive at the amount of set aside that would not be paid due to increased payroll costs.

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OFFICE OF THE DIRECTOR

**MEMORANDUM**

**Date:** February 15, 2017

**To:** Cheryl Harvey, Management Assistant  
LCB Fiscal Analysis Division

**From:** Don Soderberg, Director  
Department of Employment, Training, and Rehabilitation

**SUBJECT:** AB175 Response

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We have performed an analysis of the proposed legislation AB175, and our information shows that as of 2016 there were over 528,400 Nevada workers earning a mean wage of \$15.00 per hour or less. Table 1 below shows the number of Nevadans earning wages below each \$1.25 threshold from \$9.50 per hour to \$15.00 per hour, as of 2016.

Table 1. Number of Workers Earning Less Than A Certain Wage, 2016 Employment Values

Wage	Number of Workers, 2016
\$ 9.50	184,400
\$ 10.75	273,394
\$ 12.00	356,519
\$ 13.25	434,054
\$ 14.50	502,080
\$ 15.00	528,403

Taking into account occupational growth rates from our latest estimates, and ignoring any potential negative employment impact, the number of workers under each proposed wage threshold over the life of the bill would be as shown in Table 2.

Table 2. Number of Workers Earning Less Than a Certain Wage, Projected Employment Values

Wage	Year	Number of Workers
\$ 9.50	2018	192,906
\$ 10.75	2019	286,226
\$ 12.00	2020	373,270
\$ 13.25	2021	454,400
\$ 14.50	2022	525,533
\$ 15.00	2023	553,030

Additionally, we have analyzed the potential impact of AB175 on the UI Trust Fund. Currently, approximately \$300 million in benefits are paid each year, while contributions paid total approximately \$560 million and the Trust Fund balance is \$750 million. Assuming a constant UI contribution rate at the current level of 1.95%, our estimated impacts are presented for each fiscal year in Table 3 below. Note that these estimates are presented as ranges due to uncertainty regarding the legislation's potential negative impacts on employment levels.

Table 3. Estimated Impact of AB175 on UI Trust Fund

Year	Estimated Changes To:		
	Benefit Payments (millions \$)	Contributions (millions \$)	Trust Fund (millions \$)
2018	1.5 – 2.2	4.9 – 5.7	2.7 – 4.2
2019	6.2 – 8.1	14.9 - 17.4	6.9 – 11.4
2020	9.1 – 13.6	21.4 - 25.5	8.0 – 16.9
2021	13.1 – 21.0	28.0 - 34.5	7.5 – 22.4
2022	15.5 – 28.0	30.2 - 38.3	2.7 – 24.3
2023	17.1 – 33.6	34.5 - 41.6	1.5 – 26.5
2018 - 2023 Total	62.4 - 106.5	133.9 – 163.0	29.5 – 105.8

DESCRIPTION OF FISCAL EFFECT	
BDR/Bill/Amendment Number: BDR 53-866	
Name of Agency: Department of Employment, Training, and Rehabilitation	
Division/Department: Rehabilitation	
Date: 2/14/2017	

Total Payroll by location		Current Minimum		8.25																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
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